

REPORT OF  
ASSOCIATION FINANCIAL EXAMINATION  
**UNITED DENTAL CARE OF MISSOURI, INC.**

AS OF  
DECEMBER 31, 2005



STATE OF MISSOURI  
DEPARTMENT OF INSURANCE,  
FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION  
JEFFERSON CITY, MISSOURI

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Kansas City, Missouri  
August 22, 2006

Honorable Alfred W. Gross, Commissioner  
Bureau of Insurance  
Commonwealth of Virginia  
Chairman, (Ex 4) Financial Condition Subcommittee, NAIC

Honorable Jorge Gomez, Commissioner  
Wisconsin Department of Insurance  
Midwestern Zone, Secretary, NAIC

Honorable W. Dale Finke, Director  
Missouri Department of Insurance,  
Financial Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

**United Dental Care of Missouri, Inc.**

also referred to as the "Company" or as "UDCM." The Company's administrative office is located at 2323 Grand Boulevard, Kansas City, Missouri 64108, telephone number (816) 474-2345. This examination began on May 22, 2006 and concluded on August 22, 2006.

**SCOPE OF EXAMINATION**

**Period Covered**

The prior full scope association financial examination of United Dental Care of Missouri, Inc. was made as of December 31, 2001 and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC), with no other zones participating.

The current full scope association financial examination covers the period from January 1, 2002 to December 31, 2005 and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the NAIC, with no other zones participating.

This examination also included material transactions and/or events occurring subsequent to the examination date of December 31, 2005, which are noted in this report.

### **Procedures**

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration and statutes of the State of Missouri prevailed.

The examiner relied upon information and workpapers supplied by the Company's independent auditors, PricewaterhouseCoopers LLP, of Minneapolis, Minnesota, for the statutory audit covering the period from January 1, 2005 to December 31, 2005. This information included, but was not limited to, fraud risk narratives, premium receipt and advance and unearned calculations and deferred tax asset testing.

### **Comments – Previous Exam**

Listed below are the comments and recommendations of the previous examination report, dated as of December 31, 2001 and the subsequent response or action taken by the Company.

#### **Intercompany Transactions**

*Comments/Recommendations:* The Company was directed to execute a written tax allocation agreement indicating its intent and desire to become a party to the consolidated tax return of Fortis, Inc. for the taxable year ending December 31, 2002 and for each subsequent taxable period thereafter. The agreement was to address items that included, but were not limited to, the computations of each company's tax liability, tax adjustments and the timeliness of the settlement of any taxes due from or due to the Company.

*Company Response:* The Company filed the Fortis Tax Allocation Agreement and Form D with the Missouri Department of Insurance, Financial Institutions and Professional Registration on September 25, 2002 and was not advised of any objections by the Department. The appropriate Board resolution was prepared for signature and signed.

*Current Finding:* Company executed a Federal Tax Allocation Agreement with its ultimate parent, Fortis, Inc. for each year under exam. The agreement is in accordance with Treasury Regulations § 1.1552-1(a)(2) and § 1.1502-33(d)(1) and (d)(3), which state allocations must be made as if the company was filing a separate return. Tax adjustments and settlements are due within 30 days of being known, or on the due date as if Company was solely responsible, as applicable.

#### **Conflict of Interest**

*Comments/Recommendations:* The Company was to ensure that all elected directors and officers complete and sign a conflict of interest statement on an annual basis. In addition,

in accordance with Missouri Regulation 20 CSR 200-4.010 (Books, Records, Accounts and Vouchers) the Company was directed to ensure that all books, records, documents and other business records are maintained for a period of not less than three years.

*Company Response:* The Company was under different management in 1999 and 2000. The current management of the Company has adopted the parent company's policy concerning conflict of interest forms, which requires all officers to complete the questionnaire annually. These records are retained for a period of not less than three years.

*Current Finding:* Company provided Conflict of Interest Statements for key employees for each year under examination. Company also provided a written policy which states all books, records, documents and other business records are maintained for a period of not less than three years.

### **Corporate Records**

*Comments/Recommendations:* The Company was directed to ensure that the minutes associated with the annual and special meetings and actions of the shareholder and board of directors properly reflect the approval for all material corporate transactions and events of the Company.

*Company Response:* The Company did not directly sell or purchase any stock or securities. Instead, it had intercompany agreements with the respective parent or holding company, which authorized the parent or holding company to execute purchases or sales on its behalf. Therefore, no specific approval was required by UDCMO Board for each sale or purchase.

*Current Finding:* Review of the meeting minutes for all years under examination found that all material corporate transactions and events, e.g., intercompany agreements, investments, bank accounts and authorized signatures, were approved by the board of directors.

### **Internal Control System**

*Comments/Recommendations:* In accordance with SSAP No. 70, the Company was directed to review its method and basis of allocating expenses to ensure it is appropriate and yields the most realistic and equitable distribution of expenses.

The premium collection method of the UDCM prevents an independent third party from reviewing and verifying the value of the assets and liabilities applicable to the Company. In accordance with Missouri Regulation 20 CSR 200-4.010, the Company was directed to compile and maintain for all future financial examinations detail accounting records whereby all assets and liabilities of the Company can be reviewed and verified.

*Company Response:* Allocation of Expenses: Beginning in 2002 the Company has reduced the total amount of expenses allocated to all dental companies through tighter

expense management. Additionally we have discontinued the practice of allocating excess dental company expenses to those companies that have not instituted an expense cap. As a result of these changes, we believe the allocation methodology is equitable and appropriately applied.

**Suspense:** The Company's administration system was not programmed to capture the suspense balances at the dental company entity level. We are planning to convert all of the business to our new administrative system in the next one to two years. Given that our efforts are concentrated on the new system, we will ensure that the necessary programming changes are made to the new system to track the suspense balances by dental company. In the interim, we will collaborate with our IT professionals to ascertain the viable manual options for compiling and maintaining the detail suspense accounting records by dental company.

**Current Finding: Allocation of Expenses:** Company instituted a new expense allocation method in 2003, whereby all direct expenses are allocated to Company when incurred and indirect expenses are allocated among the prepaid dental companies on a per earned premium percentage. This method of expense allocation is deemed to be reasonable, and in accordance with SSAP No. 70.

***Suspense:***

Company was able to provide the Examiner with records evidencing premium receipts of the Company, including those reported by parent company as suspense.

**Subsequent Events**

**Comments/Recommendations:** The Company was directed to ensure that the terms and conditions governing any service that is provided by either Fortis, Inc. or a member of its holding company system is properly disclosed in a binding written agreement and is approved by its Board of Directors.

**Company Response:** The Company's Administrative Agreement and the Investment Management Agreement were executed at year-end. These Agreements were filed for informational purposes with the Department on September 11, 2002. Copies of the final Agreements under separate cover were filed upon completion of the execution and board resolution of each.

**Current Finding:** The Company entered into an Administrative Services Agreement and Investment Management Agreement. All were approved by UDCM's board of directors

## **HISTORY**

### **General**

United Dental Care of Missouri, Inc.(UDCM) was incorporated on January 26, 1993 and commenced business on August 3, 1993 under Chapter 354 RSMo (Health Services Corporations-Health Maintenance Corporations-Prepaid Dental Plans). UDCM is a prepaid dental plan that provides dental memberships to groups and individuals in Missouri and Kansas.

Effective March 25, 1996, UDCM was merged with an affiliated Missouri domiciled prepaid dental company, The Dental Advantage, Inc., with UDCM remaining as the surviving company. On September 11, 1998, United Dental Care, Inc., UDCM's direct parent company was purchased by Protective Life Corporation. Effective April 2, 1999, UDCM merged with another Missouri domiciled affiliated prepaid dental company, Kansas City Dental Care, Inc., with UDCM remaining as the surviving company. On December 31, 2001, Protective Life Corporation completed the sale of its Dental Benefits Division and all prepaid dental subsidiaries to Dental Care Holdings, Inc., a subsidiary of Fortis, Inc., which is a member in the holding company system of Fortis (SA/NV) and Fortis N.V., the ultimate controlling entity.

### **Capital Stock**

The Company is authorized to issue 1,000 shares of \$0.10 par value common stock. As of December 31, 2005, all authorized shares were issued and outstanding for a common capital stock balance of \$100. The Company's parent corporation, Interfinancial, Inc., owns all of the outstanding common stock shares.

### **Dividends**

In 2005, \$1 million in stockholder dividends were paid. No stockholder dividends were paid in 2002, 2003 or 2004.

### **Management**

Pursuant to Article 3, Section 3.02 of the Company's Bylaws, the board of directors shall consist of not less than three (3) nor more than seven (7) directors duly elected at the annual meetings of the shareholder for a period of one year, unless shareholders are three or less, then one or two directors may serve. The director elected and serving at December 31, 2005 was as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Michael R. Miller Lone Jack, Missouri	President United Dental Care of Missouri, Inc.

Article VII, Section 7.01 of the Company's Bylaws provide that the executive officers of the Company shall consist of a president, one or more vice presidents, a secretary and a treasurer. The executive officers elected and serving as of December 31, 2005 were as follows:

<u>Name</u>	<u>Office</u>
Michael R. Miller	President
Floyd Fitz-Hubert Chadee	Vice President and Treasurer
Timothy H. Bolden	Secretary

### **Conflict of Interest**

The Company has created a conflict of interest policy, whereby all directors, officers and key employees are required to sign conflict of interest statements on an annual basis. Signed conflict of interest statements were reviewed for the examination period and no significant conflicts were noted.

### **Corporate Records**

A review was made of the Articles of Incorporation and Bylaws of the Company for the period under examination. The Articles of Incorporation and Bylaws have not been amended since inception.

The minutes associated with the annual and special meetings and actions of the shareholder and board of directors were also reviewed for the period under examination and periods subsequent to the examination date of December 31, 2005. The corporate records appear to adequately document the major transactions of the board.

The Financial Examination Report of the Missouri Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2001 was reviewed and accepted by all members of the Company's board of directors on January 15, 2003.

### **Acquisitions, Mergers and Major Corporate Events**

At the beginning of 2004, the ultimate parents Fortis N.V. and Fortis SA/NV (collectively the parent), merged Fortis, Inc. into Assurant, Inc. The parent then sold 64% of its ownership interest in Assurant, Inc. in an Initial Public Offering (IPO). On January 21,

2005 an additional 20% ownership interest was sold, resulting in a 16% ownership interest remaining to the ultimate parent in Assurant, Inc.

Effective October 14, 2005, United Dental Care, Inc., direct parent of UDCM, merged into its direct parent, Dental Care Holdings, Inc. Effective October 17, 2005 Dental Care Holdings, Inc. was merged into an affiliate, Interfinancial, Inc., which was the surviving company, resulting in UDCM becoming a wholly-owned subsidiary of Interfinancial, Inc. Interfinancial, Inc. is a wholly-owned subsidiary of Assurant, Inc. The mergers were completed as part of an internal reorganization being effected by Assurant, Inc. with respect to certain of its insurance companies. Additional information in regards to the holding company structure of the Company as of December 31, 2005, is disclosed under the "Affiliated Companies" section of this report.

### **Surplus Debentures**

There were no surplus debentures issued or outstanding for the period under examination.

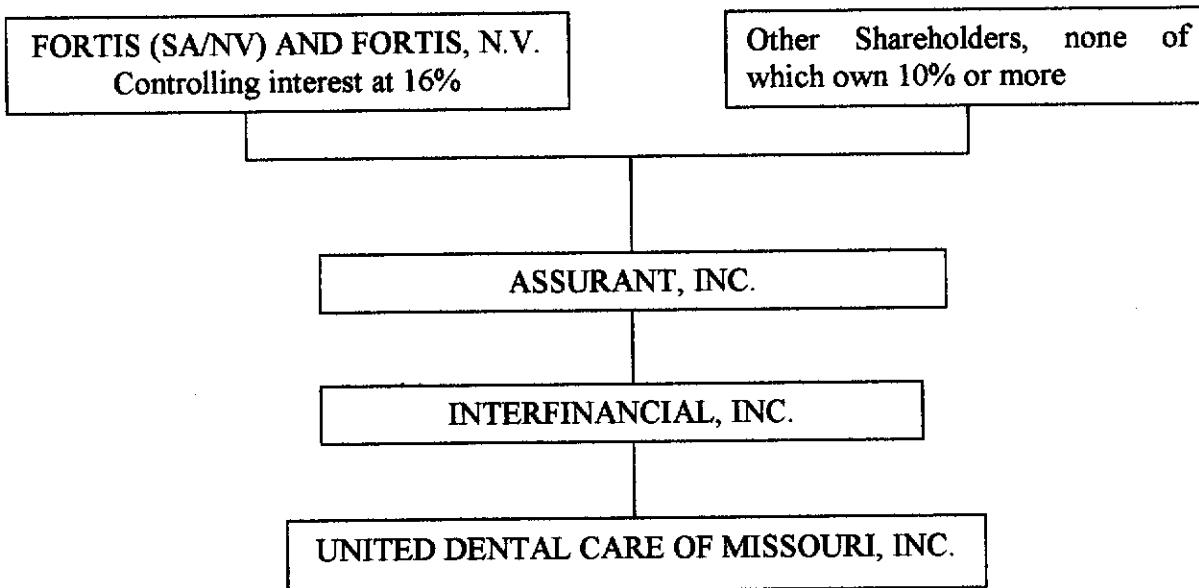
## **AFFILIATED COMPANIES**

### **Holding Company, Subsidiaries and Affiliates**

United Dental Care of Missouri, Inc. is a wholly-owned subsidiary of Interfinancial, Inc., which in turn is a wholly-owned subsidiary of Assurant, Inc., a publicly traded corporation on NYSE under the ticker symbol AIZ. However, the ultimate controlling entity in the holding company system is Fortis (SA/NV) and Fortis, N.V., owning 16% of Assurant, Inc. Fortis (SA/NV) and Fortis N.V. are international financial service providers active in the fields of insurance, banking and investments that operate globally with key markets in Belgium, the Netherlands and the United States.

### **Organizational Chart**

The following organizational chart partially depicts the holding company system of United Dental Care of Missouri, Inc., as of December 31, 2005 (only a partial list is depicted as there are over 100 companies in the holding company system):



### **Intercompany Transactions**

During the period under examination, the following intercompany agreements were in-force:

**Type:** Administrative Services Agreement

**Parties:** United Dental Care of Missouri, Inc.(UDCM) and Union Security Insurance Company (USIC) (fka, Fortis Benefits Insurance Company)

**Effective:** January 1, 2002

**Terms:** USIC agrees to accommodate the day-to-day operations of UDCM by providing various administrative and management services. These services include, but are not limited to, accounting and actuarial services, claim and benefit payments, customer services, provider services, marketing and sales services, information technology services, legal and government relation services, broker and agent services and general office services. In consideration for the services provided, UDCM agrees to pay promptly upon receipt of notice from USIC the allocated costs that are incurred by USIC in providing such services. USIC will determine the costs on a fair and equitable basis, using reasonable estimates where necessary or appropriate, provided that such cost determinations and allocations shall comply with generally accepted accounting principles or statutory accounting principles, as applicable, and shall comply with all other laws and regulations applicable to USIC and UDCM.

The agreement may be terminated by either party upon giving 60 days written notice.

Type: **Investment Management Agreement**

Parties: **United Dental Care of Missouri, Inc. and Assurant, Inc.**

Effective: **January 1, 2002**

Terms: Under the terms and conditions of this agreement, Assurant shall provide UDCM with such investment management services as the Company may request or Assurant may deem appropriate for the proper administration of the Company's investment portfolio. Such services shall include, without limitation: providing general investment advice, providing investment accounting services, establishing on UDCM's behalf brokerage and custodial accounts and other arrangements for the trading and safekeeping of UDCM investments and providing instructions regarding such accounts and arrangements, and performing all other functions necessary to manage the investment portfolio of UDCM, and to assist in developing and effecting an appropriate investment strategy. Assurant may engage at its discretion third parties to perform any function or service with respect to the investment portfolio that Assurant is authorized by the agreement to perform. In consideration for the services provided, UDCM agrees to pay each calendar year a fee as agreed upon, which shall not exceed 25 basis points (.0025) multiplied by the market value of the portfolio as of June 30 of the immediately preceding year. It is noted UDCM signed a Limited Power of Attorney, which allows Assurant to perform the above functions as outlined in the investment agreement.

Type: **Federal Tax Allocation Agreement**

Parties: **United Dental Care of Missouri, Inc. and Assurant, Inc.**

Effective: **January 1, 2002**

Terms: This agreement provides that a consolidated return will be filed by Assurant, Inc. for each taxable year the Company is a member of the combined group. The tax liability or refund due from or to each member of the affiliated group will be computed as if each member filed a separate stand-alone Federal return. All settlements

under this Agreement shall be made within 30 days of the filing of the actual consolidated federal tax return with the IRS or estimated tax payments, as applicable, except where a refund is due to the combined group. In the case of a refund, Assurant may defer payment to the other members of the combined group for a period not to exceed 30 days from the receipt of the refund.

The expenses incurred by UDCM under the above Agreements with affiliates were as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Admin Svcs Agt	779,733	861,969	847,387	702,124
Investment Mgmt Agt	1,909	-	-	-
Fed Tax Alloc. Agt	(2,843)	66,983	25,077	235,088
<b>TOTAL:</b>	<b>778,799</b>	<b>928,952</b>	<b>872,464</b>	<b>937,212</b>

#### **FIDELITY BOND AND OTHER INSURANCE**

United Dental Care of Missouri, Inc. is a named insured on a standard financial institution bond and computer crime policy providing fidelity and crime coverage, purchased through parent, Assurant, Inc., with an aggregate liability limit of \$20,000,000 and a deductible of \$250,000. This level of coverage is in compliance with the suggested minimum amount of fidelity insurance according to NAIC guidelines.

The Company is also a named insured on various other policies purchased by Assurant, Inc., which include but are not limited to, general liability, property coverage, directors' and officers' liability and umbrella liability. These additional coverages appear adequate.

#### **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

United Dental Care of Missouri, Inc. has no employees. Services are provided to the Company by the employees of parent company, Assurant, Inc., and affiliate, Union Security Insurance Company.

A variety of standard benefits are provided to the employees of Assurant, Inc. These benefits include, but are not limited to, medical, dental, and discount vision coverage, life and accidental death and dismemberment insurance, 401(k) savings plan, pension plan, employee stock purchase plan and paid vacation and sick time.

## STATUTORY DEPOSITS

### Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2005, as reflected below, were sufficient in par and fair value to meet the deposit requirement for the State of Missouri in accordance with RSMo Section 354.707 (Capital and surplus requirements; deposit required).

Type of Security	Par <u>Value</u>	Fair <u>Value</u>	Statement <u>Value</u>
Cash	\$ 55,000	\$ 55,000	\$ 55,000

### Deposits with Other State

The Company also has funds on deposit with the State of Kansas. Those funds on deposit as of December 31, 2005 were as follows:

Type of Security	Par <u>Value</u>	Fair <u>Value</u>	Statement <u>Value</u>
U.S. Treasury Note	\$ 100,000	\$ 96,730	\$ 99,516

## INSURANCE PRODUCTS AND RELATED PRACTICES

### Territory and Plan of Operations

The Company is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 354 RSMo (Health Services Corporation-Health Maintenance Organizations-Prepaid Dental Plans) to offer prepaid dental plans to organizations and/or individuals desiring such services. The prepaid dental plans of UDCM are an alternative approach to the fee-for-service method of reimbursing the dentist for services rendered. It is a system by which specific predetermined dental services are provided to eligible subscribers by independent dental providers or entities contracting with the Company, who in turn, are compensated at a fixed per capita rate, usually on a monthly basis. In consideration for the dental coverage that is provided, the covered or eligible subscriber is required to pay for the coverage through periodic payroll deductions, bank drafts or direct billings. The Company is also licensed in the State of Kansas. As of December 31, 2005, services were provided to approximately 33,084 members.

Direct premiums written in 2002, 2003, 2004 and 2005 were \$4,859,029, \$4,553,067, \$4,033,207 and \$3,391,888, respectively.

### **Marketing**

UDCM currently offers two main types of prepaid dental plans, Heritage Secure and Heritage Plus. The Heritage Secure offers prepaid dental coverage but only allows a 15% to 25% discount on Specialist services. The member is responsible for all other costs of the Specialist. The Heritage Plus offers prepaid dental coverage and Specialist services with member co-pays for covered services. Both plans offer an optional vision service discount through VSP for an additional fee.

The Company's products are marketed by Assurant Employee Benefits (AEB) and administered by Union Security Insurance Company (USIC) with other products (long-term disability, short-term disability, accidental death and dismemberment, and voluntary LTD, STD, AD&D, Section 125 and Life). Market distribution is performed through pamphlets, employee sales representatives, independent brokers and consultants. The majority of memberships are obtained through the independent brokers. Membership acquisition and renewal is mainly in employer groups of 500 or less, although AEB does solicit individual memberships.

### **Provider Contracts**

In providing the services associated with the dental plans available, the Company maintains the following types of provider agreements: general dentist agreement and specialty dentist agreement. These agreements have been filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration as required by Missouri Regulation 20 CSR 400-8.200, Procedures for the Filing of All Policy Forms and Certain Rates for Life or Health Policies, Contracts or Related Forms.

### **Grievance Procedures**

As required by RSMo Section 354.715, (Service contracts; complaint procedures), the Company has established a policy to handle grievances and complaints filed by its enrollees. This policy is communicated to all enrollees during their initial enrollment period.

### **Provider Credentialing and Quality Assurance**

The Company performs periodic credentialing and quality reviews of its providers and discusses all findings with the respective provider. A credentialing review is performed every three years for the purpose of reviewing the provider's dental license, insurance coverage and controlled substance certification and registration. The areas reviewed under a quality review are the facilities of the provider, patient safety, infection control practices, dental health records, patient treatment and access to care.

## **REINSURANCE**

The Company does not engage in any assumed or ceded reinsurance transactions.

## **ACCOUNTS AND RECORDS**

### **Independent Auditor**

The financial statements of the Company were audited annually by PricewaterhouseCoopers LLP, (PWC) Certified Public Accountants, for the period being examined, however, not from the same PWC office location. In 2002 and 2003 the annual audits were performed by the PWC office in Birmingham, Alabama. For the year 2004 the PWC office located in Kansas City, Missouri performed the annual audit. The 2005 audit was performed by the PWC office in Minneapolis, Minnesota. In each of the years under examination, PricewaterhouseCoopers LLP concluded that the financial statements of the Company, in all material aspects, presented fairly the financial position of the Company, its results of operations and its cash flows in conformity with the accounting practices prescribed or permitted by the Missouri Department of Insurance, Financial Institutions and Professional Registration.

### **Company's Actuary**

In years 2002 through 2004, the actuarial assumptions and methods used by the Company in determining loss reserves, actuarial liabilities and other related actuarial items were reviewed and certified by Julie M. Bosworth, FSA, MAAA, an employee of Fortis Benefits Insurance Company, an affiliate company at 2323 Grand Boulevard, Kansas City, Missouri. For the year ending December 31, 2005 the actuarial assumptions and methods used by the Company in determining loss reserves, actuarial liabilities and other related actuarial items were reviewed and certified by Matt Silverstein, FSA, MAAA, an employee of Union Security Insurance Company (formerly known as Fortis Benefits Insurance Company), an affiliated entity. Each actuary concluded that the loss reserves, actuarial liabilities and other related items carried during the period under examination, made a good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company under the terms of its contracts and agreements and met the requirements of the insurance laws of the state of Missouri.

## **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2005, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the annual statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements. (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been additional differences found in the course of this examination that are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

**ASSETS**

	LEDGER ASSETS	NOT ADMITTED	NET ASSETS
Bonds	\$ 259,558		\$ 259,558
Cash and short-term investments	458,516		\$ 458,516
Investment Income due and accrued	2,790		\$ 2,790
Uncollected premiums and agent's balances in the course of collection	104,452		\$ 104,452
Net deferred tax asset	10,480		\$ 10,480
Aggregate write-ins for other than invested assets	140,808	140,808	\$ -
<b>Total Assets</b>	<b>\$ 976,604</b>	<b>\$ 140,808</b>	<b>\$ 835,796</b>

### **LIABILITIES, CAPITAL AND SURPLUS**

Claims unpaid	\$ 54,207
Aggregate health policy reserves	80,735
Premiums received in advance	32,657
General expenses due or accrued	25,807
Current federal and foreign income tax payable and interest thereon	17,943
Remittance and items not allocated (NOTE 1)	71,792
Amounts due to parent, subsidiaries and affiliates (NOTE 1)	75,052
<b>Total Liabilities</b>	<b>\$ 358,193</b>
Common capital stock	\$ 100
Gross paid in and contributed surplus	2,709,818
Unassigned funds (surplus)	(2,232,315)
<b>Total Capital and Surplus</b>	<b>\$ 477,603</b>
<b>Total Liabilities, Capital and Surplus</b>	<b>\$ 835,796</b>

### **STATEMENT OF REVENUE AND EXPENSES**

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Net premium income	\$ 3,391,888
Change in unearned premium reserves	(18,106)
<b>Total Revenue</b>	<b>3,373,782</b>

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#### **Hospital and Medical**

Hospital /medical benefits	2,355,837
<b>Total Hospital and Medical</b>	<b>2,355,837</b>

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Claims adjustment expenses	24,079
General administrative expenses	1,027,243
<b>Total Underwriting Deductions</b>	<b>\$ 3,407,159</b>
<b>Net Underwriting gain or (loss)</b>	<b>\$ (33,377)</b>

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Net investment income earned	29,210
Net income (loss) before federal & foreign income taxes	\$ (4,167)
Federal and foreign income taxes incurred	7,845
<b>Net income (loss)</b>	<b>\$ (12,012)</b>

### **CAPITAL AND SURPLUS ACCOUNT**

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Capital and Surplus, December 31, 2004	\$ 1,466,519
Net income or (loss)	(12,012)
Change in net deferred income tax	168
Change in non-admitted assets	22,928
Dividends to stockholders	(1,000,000)
<b>Net change in capital and surplus for the year</b>	<b>\$ (988,916)</b>
<b>Capital and surplus end of reporting period</b>	<b>\$ 477,603</b>

## NOTES TO FINANCIAL STATEMENTS

<b><u>NOTE 1: REMITTANCES AND ITEMS NOT ALLOCATED</u></b>	<b>\$71,792</b>
<b>AMOUNTS DUE TO PARENT, SUBSIDIARIES &amp; AFFILIATES</b>	<b>\$75,052</b>

The Remittances and Items not Allocated liability line item reflects an increase of \$57,550 to properly reflect premiums received at end of year not yet posted to member accounts. These amounts are reported at the parent company level, but not the individual entity level, as the parent holds the deposits in their account. As the amount can be estimated and is material to UDCM it should be properly disclosed in the individual entity's statements as a liability, with a similar decrease in the Amounts Due to Parent, Subsidiaries and Affiliates. The reclass, however, has no impact on ending capital and surplus.

## EXAMINATION CHANGES

### **Total Surplus Per Company, December 31, 2005**

Common capital stock	\$ 100
Gross paid in and contributed surplus	2,709,818
Unassigned funds (surplus)	(2,232,315)

**Total Capital and Surplus Per Company** \$ 477,603

	Increase in Surplus	Decrease in Surplus
--	------------------------	------------------------

### **Liabilities:**

Remittances and items not allocated	(57,550)	Note 1
Amounts due to parent, subsidiaries and affiliates	57,550	Note 1

<b>Totals</b>	(57,550)	57,550
<b>Net Change</b>	(57,550)	57,550

### **Total Surplus Per Exam Report**

Common capital stock	\$ 100
Gross paid in and contributed surplus	2,709,818
Unassigned funds (surplus)	(2,232,315)

**Total Capital and Surplus Per Exam Report** \$ 477,603

## **GENERAL COMMENTS AND/OR RECOMMENDATIONS**

The Company failed to reflect premiums received at end of year not yet posted to member accounts as Remittances and Items not Allocated, reporting them instead in Due to Parent and Affiliates. As the amount can be reasonably estimated and is material to UDCM, the Company should ensure that in the future, it is properly disclosed in the individual entity's statements as a liability, with a similar decrease in the amount payable to parent and affiliates.

## **SUBSEQUENT EVENTS**

The parent company, Assurant, Inc. reviewed its dental division as a whole in the second quarter of 2006 and decided to make a total capital contribution to the division in the amount of \$6.5 million. UDCM received \$2 million of that total. Per the Company, there was no specific reason for the contribution except to strengthen the Company's capital and surplus.

### ACKNOWLEDGMENT

The assistance and cooperation extended by the officers of United Dental Care of Missouri, Inc. and employees of Union Security Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, AES examiner for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination.

### VERIFICATION

State of Missouri      )  
                            ) ss  
County of Clay        )

I, Barbara A. Bartlett, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

*Barbara A. Bartlett, CPA, CFE*  
Barbara A. Bartlett, CPA, CFE  
Examiner-in-Charge  
Missouri Department of Insurance,  
Financial Institutions and Professional Registration

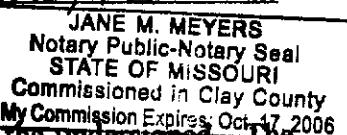
Sworn to and subscribed before me this 25 day of August 2006.  
My commission expires:

10-17-06

*Jane M Meyers, PB*  
Notary Public

### SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



*Frederick G. Heese*  
Frederick G. Heese, CPA, CFE  
Audit Manager  
Missouri Department of Insurance,  
Financial Institutions and Professional Registration



ASSURANT

Employee  
Benefits

RECEIVED  
OCT 25 2006

October 20, 2006

DEPT OF INSURANCE  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

2323 Grand Boulevard  
Kansas City, MO 64108-2670

[www.assurant.com](http://www.assurant.com)

Kirk Schmidt, CFE, CPA  
Chief Financial Examiner  
State of Missouri  
Department of Insurance, Financial Institutions and  
Professional Registration  
301 West High Street, Room 530  
Jefferson City, MO 65102

Re: Examination Report - United Dental Care of  
Missouri, Inc., NAIC No. 47044

Dear Mr. Schmidt:

This letter is in response to the State of Missouri Department of Insurance (the Department) Report of Association Financial Examination of United Dental Care of Missouri, Inc. (the Company) for the period ending December 31, 2005.

The response to the comment and recommendation contained in the above-mentioned Report is discussed below. The Examination resulted in one finding in which the Company has fully resolved this area of concern contained in the report. The following corrective action response is corresponding to the General Comments and/or Recommendations Section of the Report:

**Unallocated Premiums Received by Affiliate**

Under the Administrative Services Agreement, an affiliate provides the premium collection service of the Company. Under this agreement, the affiliate receives and posts premiums to member accounts. The Company acknowledges that at the end of the year, certain premiums were received and not yet posted to member accounts. These unallocated premiums at the affiliate can be estimated based upon the Company's premium volume relative to other companies for which the affiliate processes premiums for. Actual amounts will vary from the estimated amount.

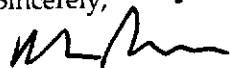
At the recommendation of the Department, beginning with the 2006 Annual Statement, the Company will estimate the premiums received at the affiliate and not yet posted to member accounts and will report them in the Statement of Liabilities, Capital and Surplus. The estimate will be reported as an increase in "Remittances and items not allocated" and a reduction to "Amounts due to parent, subsidiaries and affiliates."

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We are hopeful that the above information will be helpful and responsive in satisfying the Department's recommendation. Therefore we request that this plan of compliance be approved for the Company and included in the Examination Report.

If you have any questions or comments, please contact me at 816.474.2763.

Sincerely,



Michael R. Miller  
President, United Dental Care of Missouri, Inc.